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## BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman

Arizona Corporation Commission

GARY PIERCE  
Commissioner

DOCKETED

PAUL NEWMAN  
Commissioner

AUG 10 2010

SANDRA D. KENNEDY  
Commissioner

DOCKETED BY

BOB STUMP  
Commissioner

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IN THE MATTER OF UNS ELECTRIC,  
INC.'S REQUEST TO CONTINUE ITS  
SHADE TREE DEMAND-SIDE  
MANAGEMENT PROGRAM

DOCKET NO. E-04204A-07-0365

DECISION NO. 71834ORDER

Open Meeting  
July 27 and 28, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNS Electric" or "the Company") is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. UNS Electric serves approximately 90,000 customers in the counties of Santa Cruz and Mohave. Of these customers, approximately 80,000 are Residential, while 10,000 are Commercial; UNS Electric also serves a small number of Industrial, Resale, and Public Street and Highway Lighting customers.

3. In compliance with Decision No. 70523, on November 2, 2009, UNS Electric filed an application on the status of its Shade Tree program. In its application, the Company requested approval to continue its Shade Tree program beyond the initially-approved one-year pilot, citing a "steady" participation level and the program's cost-effectiveness.

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1 **Program Description**

2 4. Program Description. The UNS Electric Shade Tree program, known as *Trees for*  
3 *You*, is designed to promote the planting of shade trees using guidelines designed to create energy  
4 savings. The goal of the program is to promote energy conservation and create environmental  
5 benefits by providing low water usage trees to residential neighborhoods, including low-income  
6 families, and to public areas and schools. The *Trees for You* program is modeled, in part, on the  
7 Tucson Electric Power ("TEP") Shade Tree program that has been in place since 1992, but is  
8 differently administered and delivered.

9 5. Program Administration and Delivery. The TEP program is primarily delivered  
10 through a non-profit organization that absorbs some of the program costs, negotiates a lower price  
11 for large purchases of trees and delivers trees directly to TEP customers (eliminating the need to  
12 process rebates). The UNS Electric program is administered in-house, potentially increasing  
13 program costs and impacting cost-effectiveness.<sup>1</sup> In the *Trees for You* program, customers  
14 purchase their own trees, and then submit an application and a receipt<sup>2</sup> to UNS Electric. If the  
15 application meets eligibility requirements, a \$15 rebate is provided in the form of a credit on  
16 customers' electric bills.

17 6. Eligibility. Participants must be UNS Electric customers to qualify. The Shade  
18 Tree program is primarily targeted at Residential customers, including low-income families, but  
19 community organizations and schools may also participate, if they meet program requirements.

20 7. Pilot Program. Due to concerns about its cost-effectiveness in practice, the UNS  
21 Electric Shade Tree program was approved as a one-year pilot (Decision No. 70523). The  
22 Decision ordered the Company to file an application approximately 13 months following approval,  
23 describing the status of the program, and the reasons for continuing or discontinuing it. The  
24 application for continuance, described above, states that the program is cost-effective and that the  
25 Company anticipates that it will remain so.

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28 <sup>1</sup> The Company is seeking a community service agency to assist in delivering the program.

<sup>2</sup> Applications can be obtained from different sources, including on-line or as bill stuffers during planting seasons.

**Participation**

8. The UNS Electric Shade Tree program is new and relatively small in scale. (The program was approved on September 30, 2008, with a total budget of \$65,000, and was publicly announced in January 2009.) A total of 240 trees were planted under the program during 2009, all of them by Residential customers. Although modest, these numbers suggest that participation was ramping up at a reasonable rate during the program's first year.

9. Staff Recommendations. Staff has recommended that UNS Electric continue working to improve overall program participation. In addition, Staff is concerned that, although eligible to participate, no schools or neighborhood rehabilitation projects have participated in Trees for You. For this reason, Staff has recommended that the Company make a specific effort to improve its outreach to both schools and community organizations involved in planting shade trees.

**Program Budget**

10. Decision No. 70523 set a budget of \$65,000 and limited the administrative budget to no more than 10 percent of the overall budget. Actual 2009 program expenses, as reported in the UNS Electric semi-annual DSM report, are given below. As shown, the Company's 2009 administrative costs are slightly above 5 percent of total spending:

Actual Spending	2009
Rebates & Incentives	\$3,600
Training & Technical Assistance	\$412
Consumer Education	\$194
Program Implementation	\$8,864
Program Marketing	\$14,203
Planning and Administration	\$1,476
Total Cost	\$28,749

11. Total spending is well below \$65,000 and marketing expenses are comparatively high, but this is not unusual for a new program ramping up during its first year of operation. With greater public awareness, participation rates are likely to increase, and less funding should be needed for outreach.

**Staff Analysis of Savings**

12. Benefit-Cost Ratio. Due to concerns about program cost-effectiveness, Staff reviewed the benefit-cost ratio based on more current data. Staff estimates the benefit-cost ratio of the UNS Electric Shade Tree program at 1.29, making the program cost-effective under the Societal Test. Although participation has been relatively low, incremental costs and program costs also remain low, helping to make the benefit-cost ratio favorable. The benefit-cost ratio is likely to improve if program participation increases and fixed costs can be spread over a larger number of plantings.

13. Energy and Environmental Savings. Lifetime energy savings for trees planted during 2009 are estimated at 1,157 MWh. Estimated lifetime environmental savings for trees planted during 2009 are listed below<sup>3</sup>:

Lifetime SOx Reduction (lbs.)	914
Lifetime NOx Reduction (lbs.)	2,915
Lifetime CO2 Reduction (lbs)	1,388,160

14. Additional Benefits. In addition to the environmental benefits arising from energy savings, shade trees (i) provide habitat for wildlife; (ii) absorb air and water pollution; (iii) control stormwater runoff; (iv) control soil erosion and wind; and (v) provide aesthetic benefits.

15. Staff Analysis and Recommendations. Staff notes that this is not yet a mature program, but that data from the program's first year indicate reasonable progress. Staff has recommended that the program be approved for continuance until further Commission action.

**Reporting Requirements**

16. If approved, Staff has recommended that the Shade Tree program continue to be reported in UNS Electric's semi-annual Demand-Side Management reports, or in any succeeding form of reports ordered by the Commission.

**Evaluation and Monitoring**

17. In its DSM semi-annual report for January through June 2009, UNS Electric reported that it had conducted onsite inspections at the homes of 14 participants and found that

<sup>3</sup> Estimates drawn from the UNS Electric Semi-Annual DSM Program Progress Report, filed March 31, 2010.

three trees, at two homes, were not planted in a manner that complied with program requirements. (The trees were either on the north side of the home(s) or were planted too far from the house.) Staff has recommended that UNS Electric enhance its communications with participants regarding the program's requirements.

#### Summary of Recommendations

- Staff has recommended that the UNS Electric Shade Tree program be approved for continuation, with the modifications discussed herein.
- Staff has recommended that UNS Electric continue working to improve overall participation for its Shade Tree program.
- Staff has recommended that UNS Electric improve participation by both schools and community organizations that meet program requirements.
- Staff has recommended that the Shade Tree program continue to be reported in UNS Electric's semi-annual DSM reports, or in any succeeding form of report ordered by the Commission.
- Staff has recommended that UNS Electric enhance its communications with participants regarding the program's requirements.

#### CONCLUSIONS OF LAW

1. UNS Electric is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNS Electric and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated July 14, 2010, concludes that it is in the public interest to approve continuation of the UNS Electric Shade Tree program.

#### ORDER

IT IS THEREFORE ORDERED that the UNS Electric, Inc. Shade Tree program be approved for continuation, with the modifications discussed herein.

IT IS FURTHER ORDERED that UNS Electric, Inc. continue working to improve overall participation for its Shade Tree program.

1 IT IS FURTHER ORDERED that UNS Electric, Inc. improve participation by both schools  
2 and community organizations that meet program requirements.

3 IT IS FURTHER ORDERED that the Shade Tree program continue to be reported in UNS  
4 Electric, Inc.'s semi-annual DSM reports, or in any succeeding form of report ordered by the  
5 Commission.

6 IT IS FURTHER ORDERED UNS Electric, Inc. enhance its communications with  
7 participants regarding the program's requirements.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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10 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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12 CHAIRMAN

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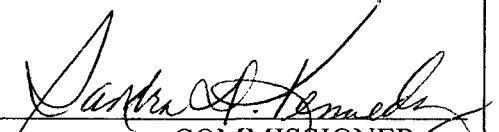
14 COMMISSIONER

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16 COMMISSIONER

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18 COMMISSIONER

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20 COMMISSIONER

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22 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
23 Executive Director of the Arizona Corporation Commission,  
24 have hereunto, set my hand and caused the official seal of  
25 this Commission to be affixed at the Capitol, in the City of  
26 Phoenix, this 10th day of August, 2010.

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28 ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:JMK:lhv\CH

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